

AMENDED IN ASSEMBLY MAY 7, 2014

AMENDED IN ASSEMBLY APRIL 21, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1499**

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**Introduced by Assembly Member Skinner**

January 9, 2014

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An act to amend Section 379.6 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 1499, as amended, Skinner. Electricity: self-generation incentive program.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law requires the Public Utilities Commission to administer, until January 1, 2016, a self-generation incentive program for distributed generation resources and to separately administer solar technologies pursuant to the California Solar Initiative. The Public Utilities Commission, in consultation with the State Energy Resources Conservation and Development Commission, may authorize electrical corporations to annually collect not more than the amount authorized for the program in the 2008 calendar year through December 31, 2014.

This bill would extend the authority of the ~~PUC~~ *Public Utilities Commission* to authorize electrical corporations to continue making the annual collections through December 31, 2017. The bill would extend the Public Utilities Commission's administration of the program to January 1, 2019.

*Existing law limits eligibility for incentives under the self-generation incentive program to distributed energy resources that the Public Utilities Commission, in consultation with the State Air Resources Board, determines will achieve reductions in emissions of greenhouse gases pursuant to the California Global Warming Solutions Act of 2006.*

*This bill would further limit eligibility for incentives under the self-generation incentive program to distributed energy resource technologies that the Public Utilities Commission determines meet specified additional requirements. The bill would require the commission to determine a capacity factor for each distributed energy resource technology.*

*This bill would require the Public Utilities Commission to evaluate the self-generation incentive program's overall success and impact based on specified performance measures and to evaluate the self-generation incentive program's progress toward reducing barriers to the adoption of distributed energy resources and the self-generation incentive program's effectiveness in providing certain capabilities generally related to grid reliability.*

*This bill would require the Public Utilities Commission, on or before July 1, 2015, to update the factor for avoided greenhouse gas emissions based on certain information. The bill would require the Public Utilities Commission, in allocating funds between eligible technologies, to consider the relative amount and cost of certain factors. The bill would require recipients of the self-generation incentive program funds to provide to the Public Utilities Commission and the State Air Resources Board relevant data and would subject them to inspection to verify equipment operation and performance.*

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the program that is extended under the provisions of this bill are within the act and a decision or order of the commission implements the program requirements, a violation of these provisions would impose a state-mandated local program by expanding the definition of a crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 379.6 of the Public Utilities Code is  
2 amended to read:  
3 379.6. (a) (1) It is the intent of the Legislature that the  
4 self-generation incentive program increase deployment of  
5 distributed generation and energy storage systems to facilitate the  
6 integration of those resources into the electrical grid, improve  
7 efficiency and reliability of the distribution and transmission  
8 system, and reduce emissions of greenhouse gases, peak demand,  
9 and ratepayer costs. It is the further intent of the Legislature that  
10 the ~~commission, in future proceedings,~~ *commission* provide for an  
11 equitable distribution of the costs and benefits of the program.  
12 (2) The commission, in consultation with the Energy  
13 Commission, may authorize the annual collection of not more than  
14 the amount authorized for the self-generation incentive program  
15 in the 2008 calendar year, through December 31, 2017. The  
16 commission shall require the administration of the program for  
17 distributed energy resources originally established pursuant to  
18 Chapter 329 of the Statutes of 2000 until January 1, 2019. On  
19 January 1, 2019, the commission shall provide repayment of all  
20 unallocated funds collected pursuant to this section to reduce  
21 ratepayer costs.  
22 (3) The commission shall administer solar technologies  
23 separately, pursuant to the California Solar Initiative adopted by  
24 the commission in ~~Decision 06-01-024. Decisions 05-12-044 and~~  
25 ~~06-01-024, as modified by Article 1 (commencing with Section~~  
26 ~~2851) of Chapter 9 of Part 2 of Division 1 of this code and Chapter~~  
27 ~~8.8 (commencing with Section 25780) of Division 15 of the Public~~  
28 ~~Resources Code.~~  
29 (b) (1) Eligibility for incentives under the program shall be  
30 limited to distributed energy resources that the commission, in  
31 consultation with the State Air Resources Board, determines will  
32 achieve reductions of greenhouse gas emissions pursuant to the  
33 California Global Warming Solutions Act of 2006 (Division 25.5  
34 (commencing with Section 38500) of the Health and Safety Code).

1 (2) *On or before July 1, 2015, the commission shall update the*  
2 *factor for avoided greenhouse gas emissions based on the most*  
3 *recent data available to the State Air Resources Board for*  
4 *greenhouse gas emissions from electricity sales in the*  
5 *self-generation incentive program administrators' service areas*  
6 *as well as current estimates of greenhouse gas emissions over the*  
7 *useful life of the distributed energy resource, including*  
8 *consideration of the effects of the California Renewables Portfolio*  
9 *Standard.*

10 (c) Eligibility for the funding of any combustion-operated  
11 distributed generation projects using fossil fuel is subject to all of  
12 the following conditions:

13 (1) An oxides of nitrogen (NO<sub>x</sub>) emissions rate standard of 0.07  
14 pounds per megawatthour and a minimum efficiency of 60 percent,  
15 or any other NO<sub>x</sub> emissions rate and minimum efficiency standard  
16 adopted by the State Air Resources Board. A minimum efficiency  
17 of 60 percent shall be measured as useful energy output divided  
18 by fuel input. The efficiency determination shall be based on 100  
19 percent load.

20 (2) Combined heat and power units that meet the 60-percent  
21 efficiency standard may take a credit to meet the applicable NO<sub>x</sub>  
22 emissions standard of 0.07 pounds per megawatthour. Credit shall  
23 be at the rate of one megawatthour for each 3,400,000 British  
24 thermal units (Btus) of heat recovered.

25 (3) The customer receiving incentives shall adequately maintain  
26 and service the combined heat and power units so that, during  
27 operation, the system continues to meet or exceed the efficiency  
28 and emissions standards established pursuant to paragraphs (1)  
29 and (2).

30 (4) Notwithstanding paragraph (1), a project that does not meet  
31 the applicable NO<sub>x</sub> emissions standard is eligible if it meets both  
32 of the following requirements:

33 (A) The project operates solely on waste gas. The commission  
34 shall require a customer that applies for an incentive pursuant to  
35 this paragraph to provide an affidavit or other form of proof that  
36 specifies that the project shall be operated solely on waste gas.  
37 Incentives awarded pursuant to this paragraph shall be subject to  
38 refund and shall be refunded by the recipient to the extent the  
39 project does not operate on waste gas. As used in this paragraph,  
40 "waste gas" means natural gas that is generated as a byproduct of

1 petroleum production operations and is not eligible for delivery  
2 to the utility pipeline system.

3 (B) The air quality management district or air pollution control  
4 district, in issuing a permit to operate the project, determines that  
5 operation of the project will produce an onsite net air emissions  
6 benefit, compared to permitted onsite emissions if the project does  
7 not operate. The commission shall require the customer to secure  
8 the permit prior to receiving incentives.

9 (d) In determining the eligibility for the self-generation incentive  
10 program, minimum system efficiency shall be determined either  
11 by calculating electrical and process heat efficiency as set forth in  
12 Section 216.6, or by calculating overall electrical efficiency.

13 (e) *Eligibility for incentives under the program shall be limited*  
14 *to distributed energy resource technologies that the commission*  
15 *determines meet all of the following requirements:*

16 (1) *The distributed energy resource technology is capable of*  
17 *reducing demand from the grid by offsetting some or all of the*  
18 *customer's onsite energy load, including, but not limited to, peak*  
19 *electric demand.*

20 (2) *The distributed energy resource technology is commercially*  
21 *available.*

22 (3) *The distributed energy resource technology safely utilizes*  
23 *the existing transmission and distribution system.*

24 (4) *The distributed energy resource technology improves air*  
25 *quality by reducing criteria air pollutants.*

26 (f) *Recipients of the self-generation incentive program funds*  
27 *shall provide relevant data to the commission and the State Air*  
28 *Resources Board, upon request, and shall be subject to onsite*  
29 *inspection to verify equipment operation and performance,*  
30 *including capacity, thermal output, and usage to verify criteria*  
31 *air pollutant and greenhouse gas emissions performance.*

32 (g) *In administering the self-generation incentive program, the*  
33 *commission shall determine a capacity factor for each distributed*  
34 *energy resource technology in the program.*

35 (e)

36 (h) (1) In administering the self-generation incentive program,  
37 the commission may adjust the amount of rebates and evaluate  
38 other public policy interests, including, but not limited to,  
39 ratepayers, energy efficiency, peak load reduction, load  
40 management, and environmental interests.

1 (2) *The commission shall consider the relative amount and the*  
 2 *cost of greenhouse gas emission reductions, peak demand*  
 3 *reductions, system reliability benefits, and other measurable factors*  
 4 *when allocating program funds between eligible technologies.*  
 5 ~~(f)~~  
 6 (i) The commission shall ensure that distributed generation  
 7 resources are made available in the program for all ratepayers.  
 8 ~~(g) (1)~~  
 9 (j) In administering the self-generation incentive program, the  
 10 commission shall provide an additional incentive of 20 percent  
 11 from existing program funds for the installation of eligible  
 12 distributed generation resources ~~from a California supplier~~  
 13 *manufactured in California.*  
 14 ~~(2) “California supplier” as used in this subdivision means any~~  
 15 ~~sole proprietorship, partnership, joint venture, corporation, or other~~  
 16 ~~business entity that manufactures eligible distributed generation~~  
 17 ~~resources in California and that meets either of the following~~  
 18 ~~criteria:~~  
 19 ~~(A) The owners or policymaking officers are domiciled in~~  
 20 ~~California and the permanent principal office, or place of business~~  
 21 ~~from which the supplier’s trade is directed or managed, is located~~  
 22 ~~in California.~~  
 23 ~~(B) A business or corporation, including those owned by, or~~  
 24 ~~under common control of, a corporation, that meets all of the~~  
 25 ~~following criteria continuously during the five years prior to~~  
 26 ~~providing eligible distributed generation resources to a~~  
 27 ~~self-generation incentive program recipient:~~  
 28 ~~(i) Owns and operates a manufacturing facility located in~~  
 29 ~~California that builds or manufactures eligible distributed~~  
 30 ~~generation resources.~~  
 31 ~~(ii) Is licensed by the state to conduct business within the state.~~  
 32 ~~(iii) Employs California residents for work within the state.~~  
 33 ~~(3) For purposes of qualifying as a California supplier, a~~  
 34 ~~distribution or sales management office or facility does not qualify~~  
 35 ~~as a manufacturing facility.~~  
 36 ~~(h)~~  
 37 (k) The costs of the program adopted and implemented pursuant  
 38 to this section shall not be recovered from customers participating  
 39 in the California Alternate Rates for Energy (CARE) program.

1 (l) (1) The commission shall evaluate the overall success and  
2 impact of the self-generation incentive program based on the  
3 following performance measures:

4 (A) The amount of reductions of emissions of greenhouse gases.

5 (B) The amount of reductions of emissions of criteria air  
6 pollutants measured in terms of avoided emissions and reductions  
7 of criteria air pollutants represented by emissions credits secured  
8 for project approval.

9 (C) The amount of energy reductions measured in energy value.

10 (D) The amount of reductions of aggregate noncoincident  
11 customer peak demand.

12 (E) The ratio of the electricity generated by distributed energy  
13 resource projects receiving incentives from the program to the  
14 electricity capable of being produced by those distributed energy  
15 resource projects, commonly known as a capacity factor.

16 (F) The value to the electrical transmission and distribution  
17 system measured in avoided costs of transmission and distribution  
18 upgrades and replacement.

19 (G) The ability to improve onsite electricity reliability.

20 (2) In addition to evaluating the program based on the  
21 performance measures specified in paragraph (1), the commission  
22 shall also evaluate both of the following:

23 (A) The program's progress toward reducing barriers to the  
24 adoption of distributed energy resources, including, but not limited  
25 to, interconnection costs and the length of time to complete  
26 interconnection.

27 (B) The program's effectiveness in providing frequency  
28 regulation, voltage support, demand reduction, peak shaving, ramp  
29 rate control, and other wholesale ancillary and grid reliability  
30 services.

31 SEC. 2. No reimbursement is required by this act pursuant to  
32 Section 6 of Article XIII B of the California Constitution because  
33 the only costs that may be incurred by a local agency or school  
34 district will be incurred because this act creates a new crime or  
35 infraction, eliminates a crime or infraction, or changes the penalty  
36 for a crime or infraction, within the meaning of Section 17556 of  
37 the Government Code, or changes the definition of a crime within

- 1 the meaning of Section 6 of Article XIII B of the California
- 2 Constitution.

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